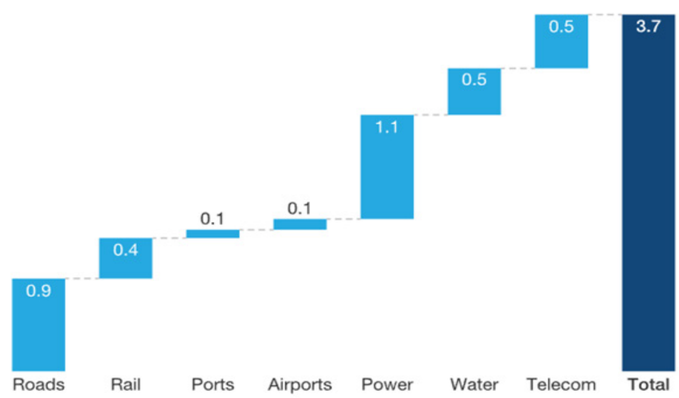
Infrastructure Debt: The Road Less Traveled

Colin Callahan, Product Specialist | March 2023

At DoubleLine, we believe infrastructure debt has advantages as a core fixed income holding that can not only increase diversification but also has the potential for incremental yields over similarly rated traditional corporate bonds.

Infrastructure debt is linked to tangible assets that provide essential services to society, including projects that support economic and strategic expansion such as roads, bridges and airports. According to the McKinsey Global Institute, an estimated $3.7 trillion of global investment in economic infrastructure is needed every year from now until 2035 *(Figure 1)*.[1] In the United States, the current Administration has trumpeted a $2 trillion infrastructure spending plan. Meanwhile, fast-growing emerging markets with expanding middle classes, such as China and India, are expected to account for the bulk of global infrastructure investment.

Average Annual Need, 2017-2035 | $ trillions, constant 2017 dollars



	Roads	Rail	Ports	Airports	Power	Water	Telecom	Total
Annual spending, % of GDP	1.0	0.4	0.1	0.1	1.3	0.5	0.6	4.1
Aggregate spending, 2017–35, $ trillion	18.0	7.9	1.6	2.1	20.2	9.1	10.4	69.4

Figure 1
Source:McKinsey Global Institute: "Bridging infrastructure gaps: Has the World Made Progress?", October 2017.
Note: Figures may not sum due to rounding.

Historically during economic downturns, infrastructure debt has maintained lower default rates *(Figure 2)*, less credit rating volatility, and higher recovery rates.[2] *(Figure 3)* Backed by long-lived tangible assets, the cash flows have a higher degree of predictability than comparable investment-grade corporate debt due to project contracts. Thus, infrastructure debt should be considered when constructing a diversified fixed income portfolio.

BBB Cumulative Default Rates

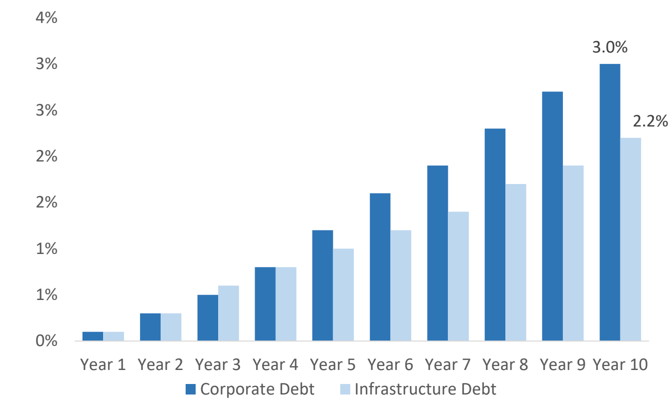


Figure 2
Source: Moody's Investors Service: "Infrastructure Default and Recovery Rates, 1983-2015", March 2016.

Senior Secured Recovery Versus Senior Unsecured Recovery

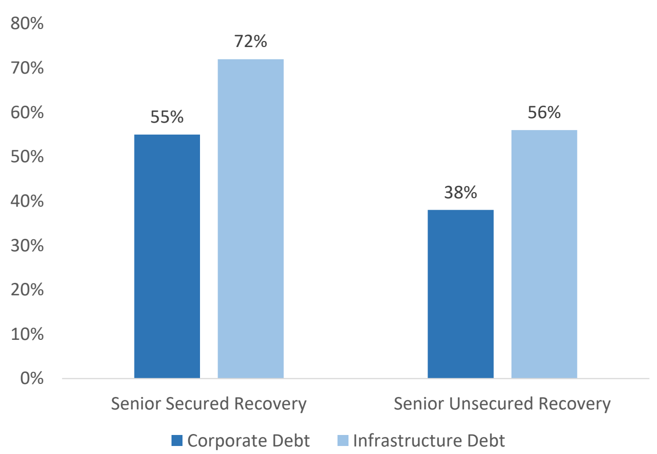


Figure 3
Source: Moody's, DoubleLine

In the past, many investors have viewed infrastructure debt as an esoteric fixed income asset class that has traditionally only been available to institutional or private equity investors. At DoubleLine, our team has been actively managing infrastructure debt securities within multi-sector and asset allocation portfolios for institutional clients since August 2015. Leveraging infrastructure debt's diversification benefits, relative value opportunities, and attractive credit profiles, we believe investors can gain access to the road less traveled and potentially benefit from infrastructure debt's favorable attributes.

Led by portfolio managers Damien Contes, CFA and Andrew Hsu, CFA, DoubleLine provides retail investors with a solution giving them exposure to the growing investment-grade dollar-denominated global infrastructure debt market: the ***DoubleLine Infrastructure Income Fund (BILDX/BILTX).*** With an average of over 15 years industry experience, the portfolio managers have built a team whose collective knowledge-base, along with DoubleLine's emphasis on a value-oriented research-driven process, combines bottom-up research with the firm's macroeconomic views to thoroughly analyze infrastructure deals.

The Case for Infrastructure Debt Versus Corporate Bonds

- Historically lower default rates than traditional corporate bonds;
- Historically higher recovery rates than traditional corporate bonds;
- Credit ratings that are typically less volatile compared to other fixed income sectors; and
- Strong underlying fundamentals with:
  - High barriers to entry; often monopolistic assets;
  - Inelastic demand for essential services;
  - Cash flows that have a higher degree of predictability than comparable investment-grade corporate debt, due to project contracts.

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Better Yield Relative to Duration

By comparing the Fund's yield relative to its duration, the Fund has consistently offered investors the potential for additional carry and less interest rate sensitivity versus the benchmark. *(Figure 4)*

Yield per Unit of Duration Historical Comparison | As of February 28, 2023

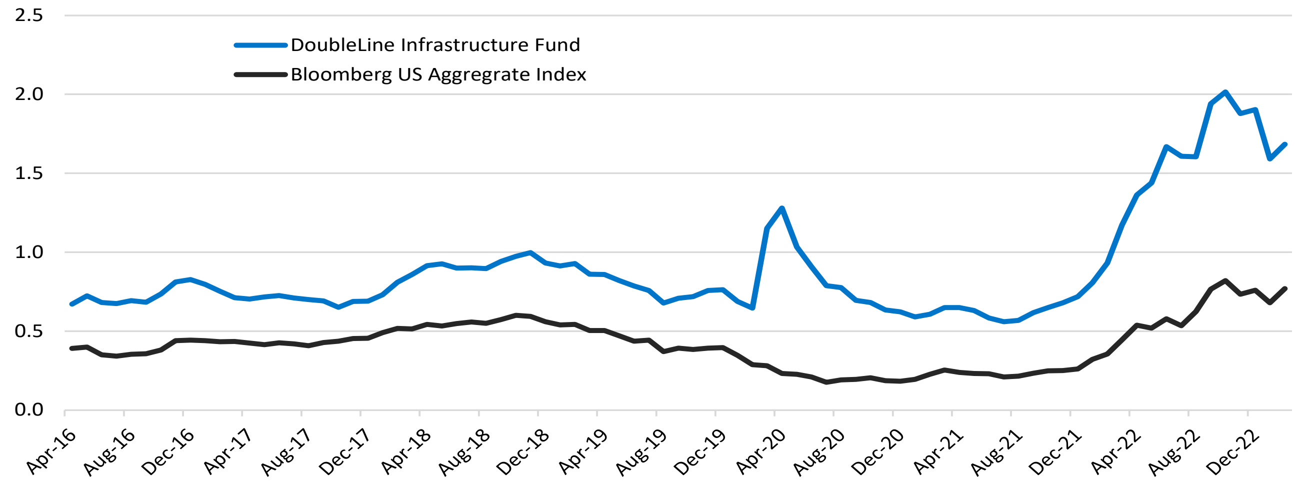

Figure 4
Source: Bloomberg, DoubleLine

DoubleLine Infrastructure Income Fund (BILDX/BILTX) Performance (%)

Month-End Returns February 28, 2023	1 Mo	3 Mo	Year-to-Date	1 Yr	3 Yr	5 Yr	Since Inception (4-1-16 to 2-28-23)	Gross Expense Ratio
I Share (BILDX)	-1.50	1.38	1.22	-8.13	-2.66	0.82	1.40	0.57
N Share (BILTX)	-1.52	1.43	1.17	-8.34	-2.90	0.57	1.15	0.82
Bloomberg US Agg Index	-2.59	-0.04	0.41	-9.72	-3.77	0.53	0.53	

Quarter-End Returns December 31, 2022	1 Mo	4Q2022	Year-to-Date	1 Yr	3 Yr	5 Yr	Since Inception (4-1-16 to 12-31-22)
I Share (BILDX)	0.16	1.50	-11.54	-11.54	-2.24	0.31	1.25
N Share (BILTX)	0.26	1.44	-11.74	-11.74	-2.48	0.08	1.01
Bloomberg US Agg Index	-0.45	1.87	-13.01	-13.01	-2.71	0.02	0.48

The performance information shown assumes the reinvestment of all dividends and distributions.
Performance for periods greater than one year are annualized.

Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance current to the most recent month-end may be obtained by calling (213) 633-8200 or by visiting www.doubleline.com.

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Product Specialist

Mr. Callahan joined DoubleLine in 2018. He is a member of the Product Specialist Team. In this capacity, he is responsible for various aspects of DoubleLine product marketing, investment strategy updates, portfolio communications and competitive analysis, with a focus on DoubleLine's Global Developed Credit strategies. Mr. Callahan is also responsible for producing market commentary and dedicated strategy content. As part of the Product Specialist team he attends the Fixed Income Asset Allocation, Macro Asset Allocation, Global Developed Credit, and Structured Product meetings. Prior to DoubleLine, Mr. Callahan was an Assistant Vice President at Gabelli Funds. He holds a BS in Finance from Fairfield University cum laude and an MBA in Finance from the UCLA Anderson School of Management. Mr. Callahan also holds the Series 7 and 63 Licenses.

Definitions of Terms and Index Description

Bloomberg U.S. Aggregate Bond Index – This index represents securities that are SEC registered, taxable and dollar denominated. It covers the U.S. investment grade, fixed-rate bond market, with components for government and corporate securities, mortgage pass-through securities and asset-backed securities. These major sectors are subdivided into more specific indexes that are calculated and reported on a regular basis..

Cash flows – Assessing the amounts, timing and uncertainty of cash flows is one of the most basic objectives of financial reporting. Investment Grade - Description of a bond considered eligible for bank investment. Such bonds are rated Baa or above by Moody's or BBB or above by Standard & Poor's.

Duration – Commonly used measure of the potential volatility of the price of a debt security, or the aggregate market value of a portfolio of debt securities, prior to maturity. Securities with a longer duration generally have more volatile prices than securities of comparable quality with a shorter duration.

Yield – The earnings generated and realized on an investment over a particular period of time

It is not possible to invest directly in an index.

DoubleLine Infrastructure Income Fund Disclosure

Mutual fund investing involves risk; Principal loss is possible.

Investments in debt securities typically decrease when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in lower-rated and non-rated securities present a great risk of loss to principal and interest than higher rated securities. Investments in asset-backed and mortgage-backed securities include additional risks that investors should be aware of including credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. Investments in foreign securities involve political, economic, and currency risks, greater volatility, and differences in accounting methods. These risks are greater for investments in emerging markets. The Infrastructure Income Fund may use certain types of investment derivatives. Derivatives may involve certain costs and risks such as liquidity, interest rate, market, credit, management and the risk that a position could not be closed when most advantageous. Investing in derivatives could lose more than the amount invested. The Fund may use leverage which may cause the effect of an increase or decrease in the value of the portfolio securities to be magnified and the Fund to be more volatile than if leverage was not used. The value of the Fund's infrastructure investments may be entirely dependent upon the successful development, construction, maintenance, renovation, enhancement or operation of infrastructure-related projects. Accordingly, the Fund has significant exposure to adverse economic, regulatory, political, legal, demographic, environmental, and other developments affecting the success of the infrastructure investments in which it directly or indirectly invests. The Fund is non-diversified meaning it may concentrate its assets in fewer individual holdings than a diversified fund.

Infrastructure Debt, Corporate Bonds, and other investment products have different risk-return profiles, which should be considered when investing. All investments contain risk and may lose value.

Diversification does not assure a profit, not does it protect against a loss in a declining market.

Past performance does not guarantee future results.

DoubleLine Disclosure

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